

CITY OF SAN DIEGO
SECTION 108 LOAN GUARANTEE APPLICATION
District 4 Public Improvements and Senior Center

Submitted to:

US Department of Housing and Urban Development

Submitted by:

City of San Diego
Community and Economic Development Department
in conjunction with the Southeastern Economic Development Corporation

September 16, 2002

CITY OF SAN DIEGO
SECTION 108 LOAN GUARANTEE
District 4 Public Improvements and Senior Center

LOAN REQUEST/SUMMARY

The City of San Diego is requesting \$3,535,000 in Section 108 Loan Guarantee funds to assist with the development of a community center and with several public improvements. The projects are located in the southeastern area of the City. The two public improvement projects are within Redevelopment Project Areas that are under the purview of the Southeastern Economic Development Corporation (SEDC). SEDC is a non-profit corporation established by the City of San Diego to oversee development in the southeastern area of the City. Attachment A is a map showing the location of the proposed projects.

The Section 108 funds will be used for public works improvements in the Mount Hope and Central-Imperial Redevelopment Areas and for construction of a Senior Citizen Center in the Martin Luther King Jr. Community Park. SEDC will be responsible for the implementation of the public improvements and the City will implement the Senior Citizen Center Project through its Engineering and Capital Projects Department.

The Section 108 requested amount is within the maximum loan amount of five times the City's Block Grant allocation of \$18,404,000 for the 2002-03 program year. The request is also under the five year cap when added to the City's existing approved Section 108 Loans. The Section 108 loan will be repaid over 20 years.

BACKGROUND INFORMATION

The southeastern area of the City suffers from the same economic issues facing older large cities. Over the years, as viable businesses left for the suburbs, the ethnic make-up of the area changed, freeway construction disrupted neighborhoods, homeowners moved out and the overall quality of life within the area declined. These changes in the area are represented by a high number of diverse ethnic population, low-income households, and high unemployment. The area is economically and physically blighted. While the

redevelopment activity under taken by SEDC has resulted in new services to some areas, the lack of neighborhood retail uses for goods and services for local residents remains. There is also a lack of public facilities to serve the residents of the area. This is particularly true regarding senior citizen facilities. In addition, the area contains an older housing stock, much of which is in need of rehabilitation.

The proposed public improvement projects are located within the Southeastern Economic Development Corporation's (SEDC) Sphere of Influence. Within its Sphere of Influence, there are fifteen neighborhoods made up of a population of approximately 152,050. According to the 1990 Census, the majority of the census tracts within SEDC's Sphere of Influence were over 50% low/moderate income. In fact, at least 80% of the residents in six of the fifteen census tracts are at or below the low/moderate income levels, while in another six of the census tracts, at least 70% of the residents meet the low/moderate income criteria. A recent study of the housing conditions, within several of the neighborhoods, indicated that of the 2,384 properties surveyed, approximately 41% of the residential properties were in need of some level of rehabilitation. Fifteen percent were in need of extensive rehabilitation.

The proposed Public Works Improvement Projects are located within Census Tracts 31.02 and 34.02. The Senior Citizen Center is located in Census Tract 31.02. The 1990 census data indicate that Census Tracts 31.02 and 34.02 include a population of 23,197, which represent 15% of the total population contained in SEDC's Sphere of Influence. The poverty levels in the two tracts range was 21.8%. The tracts contain 93.1% minority population, which includes 35.9% African American, 28% Asian, 28.7% Latino. Based on the 1990 census data, the unemployment in the tracts averaged 10.5%.

In its continuing efforts to turn around the southeastern area, the City and Redevelopment Agency created SEDC, which for the past 19 years, has been developing programs to deal with many of the problems facing the area. Redevelopment funds, private investments and other City, State and Federal programs have resulted in successful projects such as the Gateway Center East and West Business Parks; Southcrest Park

Plaza; Imperial Marketplace; the Mt. Hope, Southcrest Plaza and Central Imperial First Time Homebuyers Assistance Program; and, the Mt. Hope Housing Rehabilitation Program. Through the direct efforts of SEDC, a total of approximately 1.2 million square feet of new commercial and industrial space has been developed and over 1,200 permanent jobs have been created. Projects such as the 90,000 square foot Southcrest Park plaza, which includes the community's first full service grocery store in decades, Evergreen Village (56 units) and Village at Euclid (23 units) of single family housing developments, and the success of Gateway Centers East and West Business Parks, and Imperial Marketplace, a 30 acre retail center anchored by Home Depot are indications that public/private partnership can be implemented in Southeastern San Diego.

The projects which are the subject to this application were chosen because of their potential to act as catalysts for the SEDC's effort to redevelop and revitalize the neighborhoods of Southeastern San Diego and also to provide much needed senior citizen facilities for area residents.

PROJECT DESCRIPTION, NATIONAL OBJECTIVES AND ELIGIBLE ACTIVITIES

The following summarizes the amounts being requested, project descriptions, and information about how the national objectives and eligible activity requirements are being met:

I. Public Works Improvements - SEDC Projects

Amount of Section 108 Funds Requested: \$505,000 (includes estimated loan issuance costs)

Project Description: The Section 108 funds will be used to plan and construct a series of public works improvements associated with development projects within three Redevelopment Project Areas. There are two major activities:

- **Mount Hope Redevelopment Project Area**

Section 108 funds of \$100,000 will be used to install public improvements including sidewalk, curbs and gutters. These improvements are being undertaken along the commercial streets to assist with the rehabilitation of the

neighborhoods. The improvements are located in Census Tracts 34.02, which contains a low/moderate income population of 75.23%.

National Objective: The national objective under which the proposed project is being implemented is 570.208(a)(1)(i) - Area benefit activities - an activity, the benefits of which are available to all residents in a particular area, where at least 51 percent of the residents are low- and moderate income persons.

Eligible Activity: The proposed project is being implemented under the following Section 1008 eligible activity category: 570.703(l) - Acquisition, construction, reconstruction, or installation of public facilities (except for buildings of for the general conduct of government), public streets, sidewalks, and other site improvements and public utilities.

- **Central Imperial Redevelopment Project Area**

Section 108 funds of \$400,000 will be used to construct public improvements associated with the development of the 2-acre Valencia Business Park. The Section 108 funds will be used to assist with flood plain improvements so that the property can be developed with up to 30,000 square feet of industrial space. The project site is located in Census Tract 34.02, and is bound by Market Street to the north, 54th Street to the west, and San Diego Metropolitan Trolley tracks to the south.

National Objective: The national objective under which the proposed project is being implemented is 570.208(a)(1)(i) - Area benefit activities - an activity, the benefits of which are available to all residents in a particular area, where at least 51 percent of the residents are low- and moderate income persons.

Eligible Activity: The proposed project is being implemented under the follow Section 108 eligible activity category: 570.703(l) Acquisition, construction, rehabilitation, or installation of public facilities, public streets, sidewalks and other site improvements and public utilities.

II. Martin Luther King Jr. Park Senior Citizen Center - City Project

Amount of Section 108 Funds Requested: \$3,030,000 (includes estimated loan issuance costs).

Project Description: The Section 108 dollars will be used to fund a portion of a new 12,500 square foot Senior Citizen Center to be constructed in Martin Luther King Jr. Park, located in Census Tract 34.02 at 6401 Skyline Drive. The project will provide facilities and services to seniors living in southeastern area of the City.

National Objective: The national objective under which the proposed project is being implemented is 570.208(a)(2)(i)(A) - Activities benefitting low and moderate income persons - limited clientele activities (senior citizens) - generally presumed to be principally low/moderate income persons.

Eligible Activity: The proposed project will be implemented under the following Section 108 eligibility category: 570.703(l) - Acquisition, construction, rehabilitation, or installation of public facilities, public streets, sidewalks and other site improvements and public utilities.

SOURCES AND USES OF PROJECT FUNDING

The Senior Center project has funding from a variety of sources, whereas the public improvement projects will utilize only Section 108 funds. The sources of funding and specific uses are described below for each.

Senior Citizen Center

Sources

Section 108	\$ 3,030,000
CDBG	\$ 233,000
1999 State Funds	\$ 275,000
2000 Park Bonds	\$ 440,000
2002 State Funds	<u>\$ 147,750</u>
Total	\$4,125,750

Uses

Hard construction costs	\$ 2,867,024
Preliminary engineering	\$ 327,660
Construction engineering	\$ 368,618
Consulting services	\$ 327,660
Contingency	\$ 204,788
Cost of Issuance	<u>\$ 30,000</u>
Total	\$ 4,125,750

Public Works Improvement Projects

1. Mount Hope

Sources

Section 108	\$101,000
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Uses

Hard construction costs	\$ 70,000
Preliminary engineering	\$ 8,000
Construction engineering	\$ 9,000
Consulting services	\$ 8,000
Contingency	\$ 5,000
Cost of Issuance	<u>\$ 1,000</u>
Total	\$101,000

2. Central Imperial/Valencia Business Park

Sources

Section 108	\$404,000
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Uses

Hard construction costs	\$280,000
Preliminary engineering	32,000
Construction engineering	36,000
Consulting services	32,000
Contingency	20,000
Cost of Issuance	<u>4,000</u>
Total	\$404,000

PROJECT STRUCTRE AND PARTICIPANTS

The City of San Diego, through an Interagency Agreement, will provide SEDC with the Section 108 funds for the two public improvement projects. SEDC will be responsible for meeting all of the program requirements these funds, including the regulations relating to bidding and prevailing wage requirements. SEDC will enter into agreements with contractors for the construction of the public improvements. The City will administer the 108 funds and implement the Senior Citizen Center in Martin Luther King Park through its Engineering and Capital Projects Department. The City also intends to bid the work out to private contractors. None of the funds will be loaned to a private sector entity.

REPAYMENT SCHEDULE

The term of the repayment of the requested Section 108 Loan is 20 years. The City will be responsible for the 108 Loan repayments. By agreement with SEDC, \$100,000 of tax increment will be transferred to the City annually for their share of the repayment and the City will allocate the remainder of the repayment from District 4's annual CDBG allocation. The spreadsheet included as Attachment B shows the requested repayment schedule.

SECURITY/COLLATERAL

The City is prepared to pledge future CDBG entitlement allocations as security for this loan. The additional security required by HUD in the form of collateral equal to 125% of the loan will be identified at a later date. The senior center will be built on dedicated parkland and the City is still reviewing legal issues regarding the use of such property as collateral. Several alternative properties are being reviewed in terms of use as collateral. The City will identify the specific collateral and inform HUD as soon as possible. The City understands that the collateral requirement for this loan will be \$4,418,750 and that collateral will have to be identified before approval of the loan by HUD.

PROJECT IMPLEMENTATION/TIME FRAME

Public Works Improvements

Both the Mt. Hope and the Central Imperial public improvements will be carried out under the same implementation schedule, which is as follows:

Request bids for the construction	2nd quarter 2003
Begin construction	2nd quarter 2003
Completion of construction	3rd quarter 2003

Martin Luther King Jr. Senior Citizens Center

Request bids for the construction	3rd quarter 2003
Begin construction	4th quarter 2003
Completion of construction	3rd quarter 2004

RELOCATION, DISPLACEMENT AND ACQUISITION COMPLIANCE

None of the projects will require the dislocation or relocation of any existing residential or commercial uses. The Public Improvement Projects within the Mount Hope and Southcrest Redevelopment projects will all be installed within existing City easements and right-of ways. The Senior Citizen Center Project is to be constructed within an existing City park site. None of the projects include property acquisition.

CERTIFICATIONS AND CITIZEN PARTICIPATION

The City Council and SEDC conducted a joint public hearing on September 10, 2002 regarding this Section 108 Application and the amendment to the City Annual Action Plan that includes the Section 108 projects. The City Council approved an amendment to the 2003 Action Plan and authorized the submittal of the Section 108 Loan Guarantee Application (see attached Resolution). The application has been posted on the City's web site and the two affected community planning groups, the Southeastern Development Committee and the Encanto Neighborhoods Community Planning Group were notified of the proposed use of HUD 108 funds in writing and via presentations at their September meetings.

CONTACT PERSONS

For information about this proposed loan, contact Bonnie Contreras, the City's HUD 108 Loan Coordinator at (619) 236-6846. For information about the public improvement projects, contact Carolyn Smith at SEDC, (619) 527-7345. For information about the Martin Luther King, Jr. Senior Center, contact Kevin Oliver, Project Manager at (619) 533-3015.